



U.S. Department of Justice

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For Immediate Release:

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EVENT: Sentencing

Defendant: Cheryl Swain

FORMER OFFICER OF MCA FINANCIAL CORPORATION SENTENCED

Cheryl Swain, 41 years old, of Beverly Hills, Michigan, a former Vice President for Marketing Syndication of MCA Financial Corporation, was sentenced today to 24 months' imprisonment based on a conviction for mail fraud arising from her participation in a scheme to defraud MCA's investors, announced Stephen J. Murphy, United States Attorney for the Eastern District of Michigan, Daniel D. Roberts, Special Agent in Charge of the Detroit Division of the Federal Bureau of Investigation, and Barry McLaughlin, Special Agent in Charge of the Midwest Region of the Office of Inspector General of the U.S. Department of Housing and Urban Development.

U.S. District Judge John Feikens also ordered Swain to pay \$65.7 million in restitution to investors who purchased MCA's securities before MCA closed its doors in January 1999, and is allowing her to voluntarily surrender to the Federal Bureau of Prisons to serve her sentence.

"In the Eastern District of Michigan, securities fraud is serious business -- business that can land you in jail for a couple of years or worse: we are gratified that the restitution order in

this matter is one of the larger ones we've seen in the district. Be forewarned: our office will continue to prosecute economic crimes to the fullest extent of the law. If you steal from the citizens of this district by whatever fraudulent means we detect, you will face prison time and stiff obligations to pay the stolen money back,” said U.S. Attorney Murphy.

MCA, operating through two wholly-owned subsidiaries based in Southfield - MCA Mortgage Corporation and Mortgage Corporation of America - was a privately held mortgage company that made conventional and sub-prime loans to individual home buyers in Michigan and several other states. MCA was also a mortgage and land contract broker and servicer. In January 1999, MCA collapsed and placed in a conservatorship by the Michigan Financial Institutions Bureau, which filed a petition for bankruptcy on behalf of MCA the following month. What remained of MCA has been liquidated and the proceeds distributed to creditors under the supervision of MCA's bankruptcy trustee.

MCA raised capital in large part by selling debt and pass-through securities to the general public. Through her guilty plea before Judge Feikens in November 2001, Swain admitted that MCA, through her actions and the actions of others, fraudulently sold, through a regional network of broker-dealers, certain pass-through securities representing interests in mortgages and land contracts originally owned, and then assembled into investment pools, by MCA. MCA misrepresented to current and prospective investors the actual past performance of the pools; included in some of the pools certain mortgage and land contract interests whose values were fraudulently inflated; and misappropriated, liquidated, and used for its own corporate purposes some of the genuine pool assets. The growing liability to MCA's poolholders caused by this criminal conduct reached tens of millions of dollars and was not reflected, as it should have been, on MCA's balance sheets.

The government requested, and Judge Feikens agreed to impose, a 24-month sentence to account for Swain's "substantial assistance" to law enforcement authorities in the investigation and prosecution of other criminally culpable MCA officers.

Six other individuals have been charged as a result of the federal investigation of MCA:

- PATRICK D. QUINLAN, of Grosse Pointe Farms, MCA's former Chairman and CEO,

pleaded guilty in February 2004 to charges of conspiring and making false and fraudulent statements in corporate financial reports filed with the SEC. He was sentenced in July 2005 by U.S. District Judge Nancy G. Edmunds to 10 years' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. Quinlan is currently serving his sentence.

- LEE P. WELLS, of Grosse Pointe Shores, MCA's former President and Chief Operating Officer, pleaded guilty in July 2002 to charges of conspiracy and mail fraud and will be sentenced by Judge Feikens on February 16, 2006.
- KEITH D. PIETILA, formerly of Ann Arbor, MCA's former Chief Financial Officer, pleaded guilty in January 2002 to charges of mail fraud and making false statements to the SEC. He was sentenced in May 2003 by Judge Feikens to 48 months' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. Pietila is currently serving his sentence.
- ALEXANDER J. AJEMIAN, of Highland Township, MCA's former Controller, pleaded guilty in August 2001 to charges of mail fraud and making false statements to the SEC. He was sentenced in June 2003 by Judge Feikens to 37 months' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. With time off for good behavior, Ajemian has completed serving his term of imprisonment.
- KEVIN C. LASKY, of Birmingham, the former head of MCA's Special Loan Group, pleaded guilty in May 2002 to a charge of wire fraud. He was sentenced in December 2003 by Judge Feikens to 24 months' imprisonment and three years' supervised release and ordered to pay \$128 million in restitution. Lasky began serving his term of imprisonment in December 2005.
- JOHN P. O'LEARY, of Davisburg, MCA's former Vice President for Corporate Finance, pleaded guilty in August 2005 to the crime of misprision of felony, and is scheduled to be sentenced by Judge Edmunds on February 28, 2006.

Like Swain's sentence, the sentences imposed on Pietila, Ajemian, and Lasky took into account their cooperation with federal investigators and prosecutors.

The federal investigation has been conducted by the FBI and the U.S. Department of HUD's Office of Inspector General, with assistance from the SEC's Division of Enforcement and the Office of Financial and Insurance Services of the Michigan Department of Labor and Economic Growth. The case is being prosecuted by Assistant U.S. Attorneys Stephen Hiyama and Jennifer Gorland.